

AGENDA

COMMITTEE ON FINANCE

Meeting: 2:15 p.m., Tuesday, November 8, 2005
Glenn S. Dumke Auditorium

William Hauck, Chair
Raymond W. Holdsworth, Vice Chair
Roberta Achtenberg
Herbert L. Carter
Carol R. Chandler
Moctesuma Esparza
Robert G. Foster
Ricardo F. Icaza
Corey Jackson
A. Robert Linscheid
Craig R. Smith

Consent Item

Approval of Minutes of Meetings of September 21, 2005 and October 27, 2005

Discussion Items

1. 2005-2006 Student Fee Report, *Information*
2. Approval of Resolution for Real Property Development Project at California State University, Fresno for a Mixed-Use Development Project, *Action*

**MINUTES OF THE MEETING OF
COMMITTEE ON FINANCE
Office of the Chancellor
Glenn S. Dumke Conference Center
401 Golden Shore
Long Beach, California**

September 21, 2005

Members Present

William Hauck, Chair
Raymond W. Holdsworth, Vice Chair
Roberta Achtenberg
Herbert L. Carter
Carol R. Chandler
Moctesuma Esparza
Robert G. Foster
Murray L. Galinson, Chair of the Board
Ricardo F. Icaza
Corey Jackson
Charles B. Reed, Chancellor
Craig Smith

Approval of Minutes

The minutes of July 19, 2005 were approved.

Trustee Hauck announced there would be a change in the order of presentation of the agenda items. He explained the third item (California State University Annual Investment Report) would be presented first.

California State University Annual Investment Report

Trustee Hauck introduced Mr. Russ Gould, Executive Vice President for Metropolitan West. Metropolitan West is the external fund manager hired to invest funds consistent with the investment policy of the Board of Trustees.

With the use of a PowerPoint presentation, Mr. Gould presented an update on the CSU's investment policy. Mr. Gould addressed a number of areas affecting the university's investments, including current economic and market factors, and how they affect the performance of the different portfolios. He also clarified the differences and respective purpose of the two primary investment accounts; e.g., the Short Term and Medium Term accounts, as well as statistics on the performance of each account for fiscal year 2004-2005.

Mr. Gould stated the portfolio is well positioned, and that Metropolitan West has been utilizing very conservative investment tactics to achieve returns. He said he expects the federal funds to increase and that longer-term funds will eventually drift higher. As a result, he will focus on the

short end of the yield curve and assured the committee Metropolitan West will continue to be very conservative to avoid any major impact to CSU. He added that given the rise of interest rates, and as our portfolio securities mature, we are now able to reinvest at higher rates. This in turn leads to better returns as we move forward in the program.

Chair Galinson queried, that because state law restricts CSU, was it wise to exclusively remain in bond investments, or might the program be more diversified? Mr. Gould replied it has to do with the nature of the funds. If the funds have a very long-term horizon, he believes having a broader portfolio distribution would be to CSU's advantage. He noted CSU clearly has some funds that are longer term in nature and do not fluctuate a great deal. Therefore, in those circumstances, being able to utilize a wider array of investment options could be advantageous.

Chair Galinson thanked Mr. Gould for his presentation and for the outstanding management by Metropolitan West of the university's 2004-2005 investment portfolio.

Status Report on Support Budget and 2006/2007 Lottery Revenue Budget Proposal

Mr. Patrick L. Lenz, assistant vice chancellor for Budget Development, introduced a detailed PowerPoint presentation that included a comprehensive review of the 2005/2006 budget.

Mr. Lenz then presented a PowerPoint overview of the 2006/2007 budget, noting it was difficult to accurately determine the overall fiscal condition of the state at this early point in time because California is still facing a structural budget deficit of between \$6 and \$7 billion. He noted that depending on the growth of the economy, the funding in California's state general fund revenue may improve, but would still not come close to covering the current \$6 to \$7 billion funding gap.

Mr. Lenz reminded the committee of the Annual Budget Meeting of the Board of Trustees to be held on October 27, 2005. He indicated there would be a significant amount of detail at this meeting to assist in identifying the CSU's top budget priorities for the 2006/2007 fiscal year.

Trustee Hauck indicated that one of those priorities must be extending efforts to develop and implement a plan to bring all CSU employee salary classifications up to parity levels.

Trustee Esparza urged development of a plan to cover the unfunded need for student financial aid.

Trustee Bleich indicated he would like additional information on the level of need with respect to other CSU Budget Challenges mentioned in the presentation (i.e., off-campus centers, ACR 73). Mr. Lenz said he would provide the trustee with the requested information.

Trustee Hauck reminded the board that Chair Galinson had appointed himself and Trustee Roberta Achtenberg to a special committee to explore salary and pay requirements. He said he and Trustee Achtenberg hope to present a plan-outline at the October 27 meeting that will go in the direction of bringing all CSU employees up to market level over a period of time.

Chancellor Reed added that more detail on a number of budget issues will be forthcoming at the October 27 meeting and that the board will be asked to approve a budget submission to the Governor at that time.

Mr. Lenz reviewed the status of the 2006-2007 Lottery Revenue Budget. Lottery revenues have been consistent during the past few years, and a modest revenue increase is anticipated in the coming year due to the introduction of a new multi-state lottery game. After providing for a \$5.0 million systemwide reserve, the amount available for allocation to the campuses in 2006-2007 is estimated at \$46.0 million.

Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Various Projects

Mr. Dennis Hordyk, Assistant Vice Chancellor, Financial Services presented the item. He noted a revised item was distributed before the committee meeting. He explained the revised item excluded the proposal to refinance foundation housing bonds for a project at San Francisco State University and that the proposal will be returned to the committee for action at a later date.

Mr. Hordyk explained the item request the Board of Trustees to authorize the issuance of Systemwide Revenue Bonds and interim financing under the CSU's commercial paper program in an aggregate amount not-to-exceed \$101,625,000 to provide funds for various projects.

The projects included the following:

- San Diego State University – Swimming Pool Complex;
- Acquisition of the California State University Headquarters Building and Refunding of Related Lease-Revenue Bonds;
- San Jose State University, Campus Village Housing Phase I Restructuring;
- Monterey Bay Foundation – Housing Facilities Refinancing

Mr. Hordyk reviewed the specific circumstances and history connected to each project as outlined in the written agenda.

Mr. Don Kassing, President, San Jose State University, addressed the committee on his campus's housing project and responded to concerns of various trustees regarding occupancy rates for the housing project. He said he was confident target occupancy rates would be met due to increased enrollment.

Mr. Pat Gannt, President, California State University Employees Union, addressed the committee in support of making a serious effort to seek augmentation on an ongoing basis, to address the growing need and inadequacies in CSU's compensation plan.

The committee recommended approval of the proposed resolution (RFIN 09-05-11).

**MINUTES OF THE MEETING OF
COMMITTEE ON FINANCE
Office of the Chancellor
Glenn S. Dumke Conference Center
401 Golden Shore
Long Beach, California
October 27, 2005**

Members Present

William Hauck, Chair
Raymond W. Holdsworth, Vice Chair
Roberta Achtenberg
Herbert L. Carter
Carol R. Chandler
Moctesuma Esparza
Robert G. Foster
Murray L. Galinson, Chair of the Board
Corey Jackson
A. Robert Linscheid
Charles B. Reed, Chancellor
Craig Smith

Report on 2006-2007 Trustees' Support Budget and State University Fee Increase

Trustee Hauck explained the purpose of the item was to present the Board of Trustees with an information overview of California's Economic Outlook, and request approval of the 2006-2007 CSU budget, which included an increase in State University Fee rates.

Mr. Patrick Lenz, Assistant Vice Chancellor, Budget Development, provided a comprehensive PowerPoint presentation on the proposed budget focusing on the status of the State's current fiscal condition and how it could affect the outcome of CSU's budget funding for fiscal year 2006-2007. Mr. Lenz reported new revenue from the state General Fund (\$128.5 million) and student fees (\$107.0 million) in 2006-2007 is estimated to increase CSU budget support by \$235.5 million. Mr. Lenz noted that the budget recommendations contained in this report are based on revenue and expenditure assumptions consistent with second year funding in the Compact for Higher Education.

The proposed 2006-2007 CSU expenditure plan looks very similar to the 2005-2006 budget approved by the Trustees in the fall of 2004.

Some of the points covered in the presentation included:

Mandatory costs are estimated to be \$33.6 million to fund increases in health benefits, new space, the full year cost of Service-based Salary Increases (SSI) for certain employee groups, and higher energy costs. Funding at \$65.1 million is budgeted to support a 2.5 percent enrollment growth (8,306 FTES), which will serve 10,000 new students at the CSU. While student fees are proposed to increase, the University will set-aside 33 percent of the student fee revenue to

Fin.

provide \$37 million in additional revenue for the State University Grant (SUG) financial aid program. This will cover the fee increase for needy students who have previously been designated to receive financial aid grants, and allows the CSU to increase by 5,100 the number of SUGs received by needy students.

In addition, the budget plan would provide for a 3 percent compensation pool at a cost of \$77.4 million. The 2006-2007 budget also includes \$16.5 million to begin the first year of a multi-year strategic plan to close employee salary lags and a recommendation to include \$10 million for long-term need to support funding for technology, libraries, and deferred maintenance.

Mr. Lenz then reviewed the terms of the Compact for Higher Education noting it has provided significant funding stability to the CSU that is critical in the planning process and delivery of quality education to our students. He observed that while the Compact Agreement has greatly assisted CSU in making some inroads in current funding issues, there are additional budget challenges that are a result of over \$500 million in budget reductions in previous years. Mr. Lenz explained that nearly \$200 million in additional revenue above the Compact Agreement would be needed to begin funding these additional budget challenges.

Mr. Lenz addressed the terms of the proposed State University Fee increase. The budget proposes to increase the Systemwide mandatory fee for undergraduate and certificate students by 8 percent, along with a 10 percent increase in the fee paid by all other post-baccalaureate and graduate students.

Mr. Allison Jones, Assistant Vice Chancellor, Academic Affairs, made a presentation to the committee on the status of current financial aid programs and policies relevant to CSU, and addressed the questions and concerns of various board members regarding the effects of a fee increase on students.

The following individuals addressed the committee to express their concerns and opinions on the proposed state university fee increase:

John Travis – President, California Faculty Association
Elizabeth Hoffman – Associate Vice President, California Faculty Association
James Ballard – California Faculty Association – CSU, Northridge Chapter
Hiro Okahana – CSU, Long Beach – ASI Vice President
Rex Richardson – CSU, Dominguez Hills, ASI President
Josef Anolin – San Francisco State University, CSSA Representative
Rebecca Balderas – San Jose State University – Legislative Affairs
Sean Beal – San Diego State University – Student Representative

Chair Hauck thanked the speakers for their input and for taking the time to address the board.

The committee recommended approval of the proposed resolution (RGR 10-05-12).

Trustee Corey Jackson voted 'No' on the proposed resolution.

2006-2007 Lottery Revenue Budget

Mr. Lenz presented the item with the aid of a PowerPoint slide overview.

Over the past several years, CSU lottery revenue receipts have been strong. Due to this recent trend and the introduction of a new multi-state lottery game, a modest increase in the estimate of revenue is appropriate as the CSU plans for fiscal year 2006-2007.

It is estimated that approximately \$51 million in lottery revenue funds will be allocated to the California State University in 2006-2007.

After providing for a \$5.0 million Systemwide reserve, the amount available for overall allocation will be \$46 million. This will allow the CSU to support \$5.4 million in various Systemwide programs, and allocate nearly \$35 million for campus-based programs. The \$5.0 million Systemwide reserve is used to assist with cash-flow variations due to fluctuations in quarterly lottery receipts and other economic uncertainties.

Mr. Lenz pointed out the majority of lottery funds received by CSU are allocated to the campuses to support access and academic development activities, teacher recruitment, libraries, and faculty mentoring programs.

The committee recommended approval of the proposed resolution (RFIN 10-05-13).

2006 through 2010 California State University Multi-Year Revenue and Expenditure Plan

Trustee Hauck introduced the item and reminded the committee that Chair Galinson, the board, and Chancellor Reed had asked trustee Roberta Achtenberg and he to form the Special Trustees' Committee on Employee Compensation to review issues related to all CSU employee compensation.

Trustee Hauck noted the plan outlined in the item was based upon collaborative recommendations from him and Trustee Achtenberg. Trustee Hauck asked Mr. Lenz to continue with the details of the plan.

Using a PowerPoint slide presentation, Mr. Lenz reviewed the scope and intention of the Multi-Year Revenue and Expenditure Plan developed by trustees Achtenberg and Hauck. Mr. Lenz indicated the plan consists of the Compact for Higher Education and provides a snapshot of anticipated revenue to meet CSU budget priorities between the 2005-2006 and the 2010-2011 fiscal years.

The presentation covered a wide range of issues including in-depth information and details about the Compact for Higher Education, Enrollment and Fee Assumptions, Student Access, and the

4

Fin.

State General Fund Investment. Other areas covered were related to the numerous CSU budget challenges and funding deficiencies, as well as such important factors as employee compensation, state university fee rates, student financial aid, and other unfunded budget needs.

Trustee Hauck thanked Mr. Lenz for the presentation summarizing that the Board of Trustees is making a commitment to a five-year effort as outlined in the written agenda item and that a vote will need to be taken on these components each year.

He emphasized that one of the most important points of the plan is the board's commitment to bring all CSU employees up to the competitive compensation level they deserve. He stated that board members will do everything within their power to attempt to achieve the goals of their commitment and will evaluate expenditures and other financial issues in the future related to the achievement of that objective.

Trustee Hauck adjourned the meeting.

COMMITTEE ON FINANCE

2005-2006 Student Fee Report

Presentation By

Richard P. West
Executive Vice Chancellor and
Chief Financial Officer

Patrick Lenz
Assistant Vice Chancellor
Budget Development

Summary

CSU student fee policy requires that an annual campus student fee report be presented to the Board of Trustees to allow the board to consider the level and range of fees charged to CSU students. Summary tables in this report include the 2005-06 academic year, resident, undergraduate student fees required to apply to, enroll in, or attend the university by CSU campus, and 2004-05 versus 2005-06 summary fee levels by CSU campus.

Also, included are tables with 2005-06 fees levels at CSU comparison public institutions. The California Postsecondary Education Commission has historically referenced 15 institutions for faculty compensation and student fee comparisons. Comparison of 2005-06 academic year resident, undergraduate, graduate, and nonresidents student fee levels at CSU and 15 public comparison institutions are presented.

2005-06 Student Fee Report

CSU 2005-06 academic year resident, *undergraduate* student fees include the systemwide State University Fee (SUF) and required campus fees. The total systemwide and campus fees average is \$3,164. The total is comprised of \$2,520 for the undergraduate SUF (6.1 units or more) and \$644 for the average campus based fees that must be paid to apply to, enroll in, or attend the university.

In 2005-06 systemwide State University Fee levels were increased 8 percent for undergraduate students. Also, increases in the State University Fee (SUF) occurred in 2002/03 (10 percent at mid-year), 2003/04 (30 percent) and 2004-05 (14 percent). Prior to 2002/03, an increase in SUF had not occurred since 1994/95. Further, SUF reductions of 5 percent occurred in both 1998/99 and 1999/00. The board retains authority to establish, adjust, and abolish systemwide fees.

The CSU 2005-06 average campus based fees that must be paid to apply to, enroll in, or attend the university are \$644, which represents a \$62 or 10.7 percent increase from the prior year. Other campus fees may be charged that are not required of all enrolled students, which include fee policy Category III (user) and Category IV (penalty/deposit) types of fees. As outlined in the CSU student fee policy, prior to adjusting or establishing a campus fee, appropriate and meaningful consultation must occur, which includes consultation with the campus fee advisory committee. Campus presidents have the authority to adjust campus fees after appropriate consultation. To establish campus fees, campus presidents must forward a request to the chancellor following appropriate consultation. After an additional review process, campus fees are established by chancellor's executive order.

Credential program participants and graduate/other post-baccalaureate systemwide State University Fee (SUF) rates are greater than the undergraduate SUF. Similar to undergraduate fees, systemwide SUF levels have increased in recent years. In 2005-06, credential program participant SUF rates increased 8 percent to \$1,698 for 6 units or less and \$2,922 for 6.1 units or more per academic year. In 2005-06, graduate/other post-baccalaureate SUF rates increased 10 percent to \$1,800 for 6 units or less and \$3,102 for 6.1 units or more per academic year. Further, nonresident students pay an additional fee. Nonresident tuition fees are \$339 per semester unit and \$226 per quarter system unit. There was no increase in additional nonresident tuition fees from 2004-05 to 2005-06. Nonresident tuition was increased 15 percent in 2002/03 and 20 percent in 2004-05, and prior to that had not been increased since 1991/92.

Following are 2005-06 academic year resident, undergraduate students fees by campus, and 2004-05 versus 2005-06 summary fee levels by CSU campus:

CSU 2005/06 Academic Year Resident Undergraduate Fees¹

	State University Fee (SUF)		Campus Fees (Annual fees that must be paid to apply to, enroll in, or attend the university)						Total (6.1 units or greater)
	Up to 6 units	6.1 units or more	Health Facilities	Health Services	Instructionally Related Activities	Materials, Services, and Facilities	Student Body Assoc.	Student Body Center	Total Campus Fees
Bakersfield	\$1,464	\$2,520	\$6	\$210	\$66	\$12	\$216	\$288	\$3,318
Channel Islands	1,464	2,520	6	120	100	70	124	40	2,980
Chico	1,464	2,520	6	216	214	4	106	304	3,370
Dominguez Hills	1,464	2,520	6	110	10	0	135	210	2,991
East Bay	1,464	2,520	6	129	48	3	45	165	2,916
Fresno	1,464	2,520	6	170	20	50	61	159	2,986
Fullerton	1,464	2,520	6	50	52	46	108	208	2,990
Humboldt	1,464	2,520	6	249	96	10	101	185	3,167
Long Beach	1,464	2,520	6	90	50	10	88	100	2,864
Los Angeles	1,464	2,520	6	120	60	0	54	275	3,035
Maritime Academy	1,464	2,520	6	550	130	30	210	0	3,446
Monterey Bay	1,464	2,520	0	0	50	291	96	42	2,999
Northridge	1,464	2,520	6	100	30	0	140	240	3,036
Pomona	1,464	2,520	6	135	40	0	86	219	3,006
Sacramento	1,464	2,520	6	130	21	0	233	162	3,072
San Bernardino	1,464	2,520	6	122	74	15	66	289	3,092
San Diego	1,464	2,520	50	170	190	20	30	142	3,122
San Francisco	1,464	2,520	6	204	186	4	84	124	3,128
San Jose	1,464	2,520	6	139	198	30	147	252	3,292
San Luis Obispo	1,464	2,520	7	148	195	842	215	318	4,245
San Marcos	1,464	2,520	50	100	80	112	100	100	3,062
Sonoma	1,464	2,520	24	214	362	22	132	342	3,616
Stanislaus	1,464	2,520	6	181	47	65	95	116	3,030
CSU Average	\$1,464	\$2,520	\$10	\$159	\$101	\$71	\$116	\$186	\$3,164

Average Campus Based Fees: \$644

¹Credential SUF rates \$1,698 0-6 units / \$2,922 6.1+ units; Graduate SUF rates \$1,800 0-6 units / \$3,102 6.1+ units. Nonresident tuition is \$226/quarter unit & \$339/semester unit with Acad. Yr. maximum of \$10,170 (nonresident tuition paid by nonresident students in addition to SUF and campus fees).

CSU 2005/06 versus 2004/05 Academic Year
Resident, Undergraduate Student Systemwide and Campus Fees
 (6.1 units or more)

Campus	2005/06	2004/05	Increase
Bakersfield	\$3,318	\$2,707	\$611
Channel Islands	2,980	2,794	186
Chico	3,370	3,154	216
Dominguez Hills	2,991	2,771	220
East Bay	2,916	2,706	210
Fresno	2,986	2,704	282
Fullerton	2,990	2,804	186
Humboldt	3,167	2,863	304
Long Beach	2,864	2,658	206
Los Angeles	3,035	2,849	186
Maritime Academy	3,446	3,240	206
Monterey Bay	2,999	2,761	238
Northridge	3,036	2,778	258
Pomona	3,006	2,811	195
Sacramento	3,072	2,824	248
San Bernardino	3,092	2,906	186
San Diego	3,122	2,936	186
San Francisco	3,128	2,880	248
San Jose	3,292	2,958	334
San Luis Obispo	4,245	3,974	271
San Marcos	3,062	2,776	286
Sonoma	3,616	3,408	208
Stanislaus	3,030	2,807	223
CSU Average	\$3,164	\$2,916	\$248
Systemwide SUF:	\$2,520	\$2,334	\$186
Avg. Campus Based Fees:	\$644	\$582	\$62

The 2005-06 CSU comparison institution academic year resident, *undergraduate*, student fees are provided below. The California Postsecondary Education Commission has historically referenced these institutions for faculty compensation and student fee comparisons. CSU continues to maintain the lowest undergraduate fees among the 15 comparison public institutions. The 2005-06 comparison institutions student fee average is \$6,132 and the CSU student fee average is \$3,164. The following table lists the 2005-06 comparison institution fee levels and changes from 2004-05 fee levels:

2005/06 CSU Comparison Institution Academic year Resident Undergraduate, Student Fee Levels				
University	2005/06	2004/05	2005/06 increase	
Rutgers University (Newark, NJ)	\$9,221	\$8,869	\$352	4.0%
University of Maryland, Baltimore County	8,520	8,020	500	6.2%
University of Connecticut (Storrs, CT)	7,912	7,490	422	5.6%
Cleveland State University	7,158	6,618	540	8.2%
Wayne State University (Detroit, MI)	6,898	5,819	1,079	18.5%
Illinois State University (Normal, IL)	6,801	5,588	1,213	21.7%
State University of New York at Albany	6,604	6,383	222	3.5%
University of Wisconsin at Milwaukee	6,224	5,835	389	6.7%
Comparison Average¹	6,132	5,670	463	8.2%
George Mason University (Fairfax, VA)	5,880	5,448	432	7.9%
University of Texas at Arlington	5,693	5,300	393	7.4%
University of Colorado at Denver	4,611	4,160	451	10.8%
Georgia State University at Atlanta	4,464	4,154	310	7.5%
Arizona State University at Tempe	4,408	4,066	342	8.4%
North Carolina State University	4,318	4,260	59	1.4%
University of Nevada at Reno	3,270	3,034	236	7.8%
California State University	3,164	2,916	248	8.5%

¹ Average does not include CSU

Further, the 2005-06 CSU comparison institution *graduate and nonresident* undergraduate students fees are listed with prior year fee levels in tables below. CSU also has the lowest *graduate* fees among comparison institutions. The 2006/07 comparison institutions graduate student fee average is \$8,257 and CSU's graduate student fee average is \$3,746.

2005/06 CSU Comparison Institution					
Academic year Resident Graduate, Student Fee Levels					
	2005-06	2004-05	2005/06 Increase		
University of Maryland, Baltimore County	\$ 13,886	\$ 13,500	\$ 386	2.9%	
Rutgers University (Newark, NJ)	\$ 11,396	\$ 10,846	\$ 550	5.1%	
Wayne State University (Detroit, MI)	\$ 10,409	\$ 9,164	\$ 1,245	13.6%	
Cleveland State University	\$ 10,023	\$ 9,308	\$ 715	7.7%	
University of Wisconsin at Milwaukee	\$ 9,178	\$ 8,131	\$ 1,047	12.9%	
State University of New York at Albany	\$ 9,110	\$ 8,949	\$ 161	1.8%	
George Mason University (Fairfax, VA)	\$ 9,000	\$ 7,830	\$ 1,170	14.9%	
University of Connecticut (Storrs, CT)	\$ 8,970	\$ 8,476	\$ 494	5.8%	
Comparison Average¹	\$ 8,257	\$ 7,597	\$ 660	8.7%	
University of Colorado at Denver	\$ 7,986	\$ 6,918	\$ 1,068	15.4%	
University of Texas at Arlington	\$ 7,373	\$ 6,740	\$ 633	9.4%	
Illinois State University (Normal, IL)	\$ 6,501	\$ 5,646	\$ 855	15.1%	
Arizona State University at Tempe	\$ 5,562	\$ 5,130	\$ 432	8.4%	
Georgia State University at Atlanta	\$ 5,194	\$ 4,830	\$ 364	7.5%	
North Carolina State University	\$ 4,856	\$ 4,479	\$ 378	8.4%	
University of Nevada at Reno	\$ 4,410	\$ 4,009	\$ 401	10.0%	
California State University	\$ 3,746	\$ 3,402	\$ 344	10.1%	

¹ Average does not include CSU ²Student Fee Levels include average campus fees in addition to graduate fee levels

2005/06 CSU Comparison Institution				
Academic year Nonresident Undergraduate, Student Fee Levels				
	2005/06	2004/05	2005/06 Increase	
University of Connecticut (Storrs, CT)	\$ 20,416	\$ 19,322	\$ 1,094	5.7%
University of Wisconsin at Milwaukee	\$ 18,976	\$ 18,587	\$ 389	2.1%
George Mason University (Fairfax, VA)	\$ 17,160	\$ 15,816	\$ 1,344	8.5%
Rutgers University (Newark, NJ)	\$ 16,820	\$ 15,904	\$ 916	5.8%
University of Maryland, Baltimore County	\$ 16,596	\$ 15,620	\$ 976	6.2%
North Carolina State University	\$ 16,516	\$ 16,158	\$ 359	2.2%
University of Colorado at Denver	\$ 16,274	\$ 16,116	\$ 158	1.0%
Comparison Average¹	\$ 15,596	\$ 14,696	\$ 901	6.1%
University of Texas at Arlington	\$ 15,473	\$ 15,800	\$ (328)	-2.1%
Georgia State University at Atlanta	\$ 15,378	\$ 14,260	\$ 1,118	7.8%
Wayne State University (Detroit, MI)	\$ 14,917	\$ 12,562	\$ 2,355	18.8%
Arizona State University at Tempe	\$ 14,014	\$ 12,920	\$ 1,094	8.5%
California State University	\$ 13,334	\$ 13,086	\$ 248	1.9%
State University of New York at Albany	\$ 12,864	\$ 12,333	\$ 532	4.3%
Illinois State University (Normal, IL)	\$ 12,681	\$ 10,245	\$ 2,436	23.8%
University of Nevada at Reno	\$ 12,527	\$ 11,708	\$ 819	7.0%
Cleveland State University	\$ 12,261	\$ 11,410	\$ 851	7.5%

¹ Average does not include CSU

COMMITTEE ON FINANCE

Approval of Resolution for Real Property Development Project at California State University, Fresno for a Mixed-Use Development Project

Presentation By

Dennis Hordyk
Assistant Vice Chancellor
Chief Financial Officer

John D. Welty
President
California State University, Fresno

Summary

In May 2003, the Board of Trustees approved the concept for a public/private development on approximately 45 acres at California State University, Fresno now referred to as "Campus Pointe". This item requests Board approval to allow the California State University, Fresno Association, Inc. (Association), a recognized campus auxiliary organization, to enter into a long-term ground lease relationship with the Kashian Enterprises to construct a new 900,000 square foot mixed-used commercial development to be located east of the event center, adjacent to State Route 168.

Background

In August 2002, a Request for Qualifications (RFQ) for selection of a master developer was issued. Through that process, the development team of Kashian Enterprises, LP (Developer) was selected. In May 2003, the CSU Board of Trustees approved the concept of a public-private partnership for a mixed-use commercial development at California State University, Fresno and authorized the Chancellor and the university to enter into negotiations to develop a final plan for the public/private partnership. The land will be leased to the Association and the Association will then enter into a sub-lease with the Developer. The proposed development of this parcel will be designed to be architecturally compatible with the event center and consistent with campus master planning requirements.

Project Description

The project will be entirely financed by the Developer, who will have sole responsibility for the debt service. No State or Trustee financing will be required and the debt will not be reflected on the CSU's financial statements. The project will be a mixed-use commercial development that will include 180,000 sq. ft. of retail and office space, a 240-room hotel with meeting rooms, a 14-screen megaplex theatre, 500 units of multi-family and senior housing, and required parking facilities. The Developer will fund all costs associated with the environmental and entitlement processes in accordance with CSU requirements. The estimated cost to develop this parcel is approximately \$250 million. The Developer will manage and sub-lease the project to various tenants. The land is currently part of the university's farm laboratory and has historically been used for seasonal crops. These crops will be moved to a different location on campus.

Summary of Agreement Terms

California State University, Fresno will enter into a ground lease with the Association and the Association will then sub-lease the land to Kashian Enterprises, LP. The final terms of the sub-lease are:

- An initial 55-year term, with an option for one 35-year extension;
- Developer will finance and construct the project on approximately 45 acres of land;
- Base rent for multi-family housing and commercial has been established at \$.04455 per square foot or approximately \$880,000;
- The prepayment of the hotel ground lease rent (\$1,455,000) will be payable upon execution of the development agreement;
- Developer will be responsible for all infrastructure and other required mitigation as identified in the Environmental Impact Report (EIR);
- Rent escalation will occur every five years and is tied to the Consumer Price Index for commercial land uses and HUD for housing land uses. Maximum increase of 12.5% for commercial parcel for each five-year period;
- Developer will have the authority to sublease 100% of the facility provided the sublease complies with the CC&R's and Use Restrictions. Developer cannot sub-lease without the consent of the Association;
- Future tenant improvement construction and costs are the responsibility of the Developer and the tenant; and
- All improvements revert to the Association upon expiration of the ground lease and any exercised options.

Educational Benefits

The development of this property will help to support the academic mission of the university by providing land uses that will complement the services required by the campus and the event center, which are currently not available to meet the growing campus population. The potential land uses that would provide educational benefits include student internship opportunities with the hotel/meeting room facilities; retail employment opportunities; availability of theatre space for instruction, and availability of office space for the university.

Due Diligence

The appraised value of the property (in its current unimproved condition) is \$11,690,000. In comparison, the net present value of annual ground rent payments over the 90-year ground lease is \$21,284,000 (assumes \$880,000 of ground rent per year, plus escalations, and a prepaid amount of \$1,445,000 for only the hotel parcel). In addition, the Association will have Keyser Marston Associates provide an independent evaluation of the ground sublease and development plan. The university's record of survey is current and has been reviewed by CPDC staff. The university is not aware of any possible environmental issues that could affect the ability to complete this project. The campus will come back to the Board for certification and approval of the EIR, master plan update, amendment of the non-state capital outlay program, and approval of schematic plans.

The following resolution is recommended for approval:

RESOLVED, by the Board of Trustees of the California State University, that the Trustees:

1. Approve the Campus Pointe project, consisting of a mixed-use development at California State University, Fresno as described in Agenda Item 2 of the Committee on Finance meeting on November 8-9, 2005, and confirm the Chancellor, the Executive Vice Chancellor and Chief Financial Officer, and their designees' authority to execute the agreements necessary to implement the plan for this project.
2. Will consider, at a future meeting, review and approval of the following additional action items:
 - a) Approval of the EIR;
 - b) Approval of the master plan as it pertains to the project;
 - c) Approval of an amendment to the Non-State Capital Program; and
 - d) Approval of the schematic designs.